

Message Text

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FM SECSTATE WASHDC

TO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L STATE 176737

PASS ASST SECY KATZ

FOLLOWING REPEAT LONDON 11024 SENT ACTION SECSTATE 12 JUL 78

QUOTE C O N F I D E N T I A L LONDON 11024

E.O. 11652: GDS

TAGS: EMIN, ITC

SUBJECT: US POSITION IN THE INTERNATIONAL TIN COUNCIL

1. THE US POSITION AT THE ITC TENTH SESSION IS STEADILY
DETERIORATING. THE FOLLOWING IS THE CHIEF OF DELEGA-
TION'S ASSESSMENT OF THE CURRENT SITUATION AND THE
LIKELY OUTCOME OF THE MEETING.

2. THE CONSUMER POSITION. DESPITE US OBJECTION TO ANY
INCREASE IN THE FLOOR PRICE. THE CONSUMER CAUCUS UNANI-
MOUSLY (EX THE US) SUBMITTED A PROPOSAL AT THIS MORNING'S
SESSION OFFERING A M\$1,300-1,700 PRICE RANGE ON THE
CONDITION THAT PRODUCERS BY RESOLUTION TAKE COGNIZANCE
OF THE RESTRAINING INFLUENCE ON TIN PRODUCTION OF TAX
AND OTHER IMPEDIMENTS IN SOME PRODUCER COUNTRIES.

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3. PRODUCERS RESPONDED THIS AFTERNOON BY REJECTING
THE CONSUMER PROPOSAL AND COUNTER-PROPOSING A M\$1,500-
1,900 PRICE RANGE. THEY THEN IMMEDIATELY REQUESTED
THE FORMATION OF A CONTACT GROUP TO WORK OUT A COMPRO-
MISE BETWEEN THE TWO POSITIONS.

4. DESPITE OUR OBJECTIONS. CONSUMERS AGREED TO THE FORMATION OF A CONTACT GROUP (THUS IMPLICITLY ENDORSING THE CONCEPT OF A COMPROMISE ABOVE THE M\$1,300 FLOOR PRICE ORIGINALLY PROPOSED BY CONSUMERS). THE US CONTINUED TO OBJECT TO THE CONTACT GROUP'S FORMATION UNTIL THE FRG CONSUMER CHAIRMAN AGREED TO ALLOW THE US TO PARTICIPATE ON THE CONSUMER TEAM IN THE CONTACT GROUP. THIS WAS OBJECTED TO BY FRANCE. THE NETHERLANDS, HUNGARY AND, TO A LESSER EXTENT, BY THE UK. BUT IN THE END OUR POSITION PREVAILED. THE PRODUCER GROUP ALSO OBJECTED TO OUR PARTICIPATION ON THE BASIS THAT SINCE THEY HAD MANAGED TO EXCLUDE THE RADICAL BOLIVIANS (WHO OPPOSE A COMPROMISE). CONSUMERS SHOULD EXCLUDE THE US SINCE WE HAD OPPOSED THE CONSUMER PROPOSAL. THEIR VIEW WAS REJECTED BY THE CONSUMER CHAIRMAN.

5. THE CONTACT GROUP INCLUDES THE FRG, UK, JAPAN, FRANCE, US, THAILAND, MALAYSIA, INDONESIA, AUSTRALIA AND ZAIRE. IT MET FOR TWO HOURS THIS EVENING AND WILL MEET AGAIN TOMORROW MORNING. AT TODAY'S MEETING THE PRODUCERS PROPOSED A COMPROMISE BASED ON A M\$1,350-1,750 PRICE RANGE WITH INTERVENTION POINTS AT M\$1,475 AND M\$1,625. CONSUMERS AGREED TO STUDY THE PRODUCER PROPOSAL OVERNIGHT. CONSUMERS COUNTERED BY SEEKING CLARIFICATION OF PRODUCERS' WILLINGNESS TO FORMALLY RECOGNIZE THE PROBLEM OF TAX AND OTHER IMPEDIMENTS. CONFIDENTIAL

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MALAYSIA OBJECTED STRONGLY AND THAILAND LESS SO, WITH INDONESIA BEING CONDITIONALLY PREPARED TO ACCEPT A RESOLUTION. IN THE END, CONSUMERS AGREED TO PREPARE DRAFT LANGUAGE FOR CONSIDERATION BY THE PRODUCERS TOMORROW.

6. BASED ON THE US DEL'S CONVERSATION WITH VARIOUS DELEGATIONS, THE FOLLOWING POSITIONS HAVE EMERGED:
-- JAPAN IS PREPARED TO ACCEPT A M\$1.350 FLOOR PRICE IF THE PRODUCERS WILL AGREE TO A TAX/IMPEDIMENT RESOLUTION AND TO DEFER THE NEXT PRICE RANGE REVIEW TO JULY 1979. THE JAPANESE HAVE ALREADY CONCEDED THAT THEY CANNOT OBTAIN ANNUAL REVIEW THROUGH THE REMAINDER OF THE AGREEMENT.
-- THE BRITISH AND FRENCH WILL AGREE TO A M\$1,350 FLOOR PRICE IF THEY CAN GET THE TAX/IMPEDIMENT RESOLUTION.
-- THE FRG HAS ALREADY AGREED IN PLENARY TO A M\$1,300-1,700 PRICE RANGE. THEY HAVE NO INSTRUCTIONS ON M\$1,350 BUT HAVE ADVISED US THAT THEY ARE TO CALL FOR INSTRUCTIONS IF THEY ARE ISOLATED FROM OTHER EC MEMBERS OR IF THERE IS DANGER THAT THEY WILL BE ASSOCIATED WITH THE US IN A LOSING VOTE AT ANY LEVEL. THE FRG

DELEGATION BELIEVES THE ONLY HOPE TO AVOID A CONSUMER
FALLBACK TO M\$1,350 IS FOR THE US TO AGREE TO M\$1,300-
1,700 AND THEN PRESSURE FRG AND JAPAN TO HOLD AT THAT
LEVEL.

-- ALL OTHER CONSUMERS ARE PREPARED TO ACCEPT A M\$1,350
FLOOR PRICE. SOME (BELGIUM, FRANCE, DENMARK) UNDOUBTEDLY
WOULD BE PREPARED TO GO HIGHER.

-- THE PRODUCERS, EXCEPTING BOLIVIA, SEE AN ADVANTAGE
TO WRAPPING UP A QUICK DEAL WHILE THE US REMAINS
ISOLATED FROM OTHER CONSUMERS. THEY ARE AGREED, AGAIN
EXCEPTING BOLIVIA, ON A M\$1,350-1,700 RANGE. IF THEY
CAN QUICKLY AGREE AMONG THEMSELVES TO ACCEPT SOME FORM
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OF TAX/IMPEDIMENT RESOLUTION, IT IS PROBABLE THAT
CONSUMERS WILL AGREE TO THEIR COMPROMISE PROPOSAL.
HOWEVER, SHOULD THEY REFUSE THE PROPOSED TAX RESOLUTION,
IT IS QUITE POSSIBLE THAT THE UK, JAPAN AND FRG WOULD
RETREAT TO A NO-PRICE RANGE INCREASE POSTURE.

7. COMMENT: WASHINGTON SHOULD CAREFULLY ASSESS THE
FRG REQUEST THAT WE JOIN THEM AT M\$1,300-1,700 AND
ATTEMPT TO FORGE A UK-JAPAN-FRG COMBINE IN OPPOSITION
TO ANY INCREASE ABOVE M\$1,300. THE CHIEF OF DELEGATION
NOW BELIEVES THIS TO BE A DOUBTFUL PROPOSITION. GIVEN
THE ALREADY SIGNIFICANT EROSION IN THE CONSUMER POSI-
TION, HE DOES NOT BELIEVE WE CAN HOLD THE JAPANESE
OR UK FIRM UNLESS THE PRODUCERS ABSOLUTELY REJECT THE
TAX RESOLUTION AND IN THAT CASE WE COULD END UP WITH
NO PRICE RANGE ADJUSTMENT AT ALL.

8. THIS MESSAGE HAS NOT BEEN CLEARED WITH BELFORD OF
TREASURY OR SUGG OF COMMERCE.

9. PLEASE ADVISE.

BREWSTER

UNQUOTE CHRISTOPHER

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